

**GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA**

UNSTARRED QUESTION NO:698
ANSWERED ON:03.12.2015
Restructuring of Air India
Mohan Shri P. C.

Will the Minister of CIVIL AVIATION be pleased to state:

- (a) whether the loss of Indian Air India (AI) and Indian Airlines (IA) has greatly widened after their merger;
- (b) if so, the details thereof for the last three years and the reasons therefor;
- (c) whether any proposal is under consideration of the Government for demerger of AI and IA and if so, the details thereof;
- (d) the steps taken to improve its performance in the coming years;
- (e) whether the Government has appointed eminent personalities as nonofficial directors for restructuring of Air India and if so, the details thereof; and
- (f) the time by which the restructuring plan is likely to be undertaken and completed?

Answer

Minister of State in the Ministry of CIVIL AVIATION
(Dr Mahesh Sharma)

(a) and (b): Yes, Madam. Air India has been facing losses since merger on account of a multitude of factors. The details of the losses incurred in the last 3 years are as under:

Particulars

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(Rs. In Crores)

2012-13 2013-14 2014-15

Operating Profit/(Loss) (3807.15) (3977.89) (2636.19)

Net Profit/(Loss) after Tax (5490.16) (6279.60) (5859.91)

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The main reasons for the losses of the company are as follows:

- (i) High fuel prices in the past.
- (ii) High interest burden.
- (iii) Increase in competition especially from low cost carriers.
- (iv) High Debt Equity Ratio.
- (v) High Airport User Charges.
- (vi) Competition from foreign carriers.
- (vii) Adverse impact of exchange rate variation due to weakening of the Indian Rupee

However, in the last two years there has been a gradual improvement in the financial and operational performance of the company and the Operating/Net Losses have declined.

(c): No, Madam.

(d): The Cabinet Committee on Economic Affairs (CCEA) in its meeting held on 12.04.2012, approved a Turnaround Plan (TAP)/ Financial Restructuring Plan (FRP) for operational and financial turnaround of Air India. The TAP/FRP provides equity infusion of Rs.30231 crores upto 2021 subject to achievement of certain milestones as laid down in the TAP/FRP. The Company has achieved the Targets set out in the TAP milestones, and has made substantial progress in both Operational as well as Financial Areas. The following steps have been taken by AI to reduce costs and enhance its operational and financial performance:

- (i) Rationalization of certain loss making routes
- (ii) Induction of brand new aircraft on several domestic & international routes to increase passenger appeal
- (iii) Phasing out & grounding of old fleet
- (iv) Establishment of Integrated Operations Control Center and Hub Control Center in Delhi
- (v) Freezing of employment in non-operational areas
- (vi) Redeployment of staff to curb infructuous expenditure
- (vii) Closure of overseas offline offices at certain locations
- (viii) Critical analysis of fuel consumption on all flights by setting up a Fuel Council and Fuel Manager.
- (ix) Enhanced utilization of new fleet resulting in production of higher seat capacity (ASKM).

(e): Department of Public Enterprises (DPE) has issued guidelines for composition of the Board of Directors which, inter-alia, provide for induction of Non-Official Directors on the Boards of Public Sector Enterprises (PSEs). As per DPE guidelines, Non-Official Directors are to be drawn from the public men, technocrats, management experts and consultants and professional managers in

industry and trade with a high degree of proven ability. Accordingly, Government has appointed Non- Official Directors on the board of Air India. The details of these Non- Official Directors are as follows:

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Sl No. Name Position on Board Designation

i. Shri Gurcharan Das Independent Director Management Consultant & Author

ii. Dr. Prem Vrat Independent Director Pro Chancellor and Professor

ITM University

iii. Shri K.K. Nohwar Independent Director Air Marshal (Retd.)PVSM VM

iv. Dr. Ravindra H. Dholkia Independent Director Professor IIM, Ahmedabad

v. Ms. Renuka Ramnath Independent Director Founder-Multiples Alternate

Asset Management Private Ltd.

Mumbai.

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(f): Does not arise in view of (e) above.